

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

PFG ASPENWALK, LLC,

Debtor.

Chapter 11

Case No. 10-47089-RJK

**DEBTOR’S VERIFIED STATEMENT IN CONNECTION WITH MOTION FOR
(I) EXPEDITED RELIEF, AND (II) INTERIM AND FINAL ORDERS AUTHORIZING
DEBTOR TO OBTAIN DEBTOR-IN-POSSESSION FINANCING AND APPROVING
THE DEBTOR-IN-POSSESSION LOAN THAT INCLUDES THE GRANT OF A
SENIOR LIEN UNDER 11 U.S.C. § 364(d) AND PROVIDE ADEQUATE PROTECTION**

1. I, Thomas Salmen, am an Officer of PFG AspenWalk, LLC (the “Debtor”), and I make this verified statement in connection with the Debtor’s Motion for (I) Expedited Relief, and (II) Interim and Final Orders Authorizing Debtor to Obtain Debtor-In-Possession Financing and Approving the Debtor-In-Possession Loan that Includes the Grant of a Senior Lien Under 11 U.S.C. § 364(d) and Provide Adequate Protection (the “Motion”).

2. Pursuant to Local Rule 4001-2, the undersigned hereby states under penalty of perjury that he has first-hand knowledge of the facts stated in the Motion.

3. The Debtor’s primary assets consist of real property located at 404 Park Avenue, Aspen, Pitkin County, Colorado (the “Rental Property”) and the proceeds generated therefrom, and the Debtor’s rights under a purchase agreement for 414 Park Circle, Aspen, Pitkin County, Colorado and a joint development agreement with Aspen Pitkin County Housing Authority for the development of the Rental Property and the 414 Park Circle, Aspen, Pitkin County, Colorado property (collectively the “Development Property”).

4. The Debtor purchased the Development Property on July 11, 2007 with the intention of constructing a thirty-nine (39) unit condominium development thereon (the “Development Project”). The Development Project was to be composed of fourteen (14) luxury units to be sold to the general public and twenty-five (25) work-force units to be sold to the Aspen Pitkin County Housing Authority (the “Housing Authority”).

5. The Rental Property currently has fourteen (14) residential rental units, which generate approximately \$5,000.00 in net cash flow each month. The pre-petition rents were deposited into a bank account from which expenses were paid.

6. To finance the acquisition of the Development Property, obtain Development Project approvals, and to construct the Development Project, the Debtor used the proceeds of a loan (the “Bank of America Loan”) from Bank of America, N.A. (as successor in interest to LaSalle Bank National Association, a national banking association, “Bank of America”).

7. The City of Aspen Planning Commission had approved the Debtor’s plans for the Development Project on May 20, 2008 and the City of Aspen City Council gave its approval on October 27, 2008 (collectively, the “Preliminary Governmental Approvals”). Due to Thomas J. Petters’ (“Tom Petters”) and James Wehmhoff’s (“Wehmhoff”) criminal proceedings, the Aspen City Council conditioned the Preliminary Governmental Approvals on the Debtor removing Tom Petters and Wehmhoff as owners and managers. This required the Debtor to divest Tom Petters, Wehmhoff and Petters Real Estate of their interests in the Development Property and Development Project.

8. On October 13, 2009, the Preliminary Governmental Approvals were extended for approximately one year. The extension expires on October 28, 2010, at which time the Development Project will likely have to be abandoned. Alternatively, the Debtor has the

opportunity to obtain final governmental approval for the Development Project, which will allow the development to continue. The Debtor, its creditors and other parties-in-interest are, therefore, required to proceed quickly to address the required final governmental approvals or the value of the Debtor's assets will seriously diminish in value.

9. In my estimation, the entire final governmental approval process will be completed by May 31, 2011. The Debtor proposes to have the DIP Loan authorized by the Court in three phases during that time period. The first phase will require the Debtor to draw up to \$250,000.00 on October 13, 2010. The second phase will require the Debtor to draw an additional \$452,500.00 under the DIP Loan on November 1, 2010. The third phase will require the Debtor to draw the remaining \$452,500.00 under the DIP Loan on January 1, 2011.

10. In order to receive final governmental approval for the Development Project, the Debtor must complete a detailed final application, obtain various engineering, architectural and construction plans, perform various environmental and health related tasks, among many other items. The total cost for these items will exceed \$1,200,000.00.

11. The Development Property is currently valued at approximately \$12,000,000.00. In contrast, expiration of the Preliminary Governmental Approvals will result in the Rental Property, valued at approximately \$6,300,000.00, as the only asset of the Debtor and collateral for Bank of America. The application materials for Final Approval generally take one month to complete. The Debtor's deadline to complete the Final Approval application process is October 28, 2010; however, the Debtor's team will need to work around the clock to complete them in approximately two weeks in order to submit them by October 7, 2010. The Debtor's submission must be complete by October 7, 2010, because the city staff takes five (5) business days to review the submission, then the city will request the Debtor make revisions (which takes five (5)

business days to complete), and then the city staff takes five (5) more business days to deem the application complete. Therefore, the Debtor must submit the Final Approval to the city at least fifteen (15) business days before the actual deadline of October 28, 2010. Additionally, the DIP Lender requires confirmation that it should continue negotiating the terms of the DIP Loan with the Debtor.

12. As of July 27, 2010, the outstanding amount of the Debtor's obligations to Bank of America under the Loan Documents totals approximately \$6,408,374.00, including the following elements:

Origination Fees	\$340,651.00
Interest	\$1,110,800.00
Principal	\$4,956,923.00

13. Taking into account the indebtedness to Bank of America, the Debtor has an approximately \$5,591,626.00 equity cushion in the Development Property.

14. The Debtor intends to obtain credit secured by, among other things, a senior lien in the Development Property pursuant to the terms of the Rapid Funding, LLC Term Sheet (the "DIP Loan"), by and between the Debtor and Rapid Funding, LLC (the "DIP Lender"). The Debtor will use the proceeds of the DIP Loan to obtain final governmental approvals for the Development Project. Specifically, the Debtor will expend the proceeds as follows:

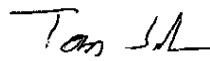
Architectural/Engineering	\$400,000.00
Planning Consultant	\$18,400.00
Local Project Management	\$31,000.00
Travel and Misc.	\$27,500.00
Legal	\$75,000.00
Developer Overhead	\$250,000.00
City Fees/Costs	\$34,000.00
Closing Costs for Project Recap/Chap 11 Filing	\$100,000.00
Lender Points/Fees	\$60,000.00
Contingency (Chapt 11/Add'l. Approval. Costs, Etc.)	\$159,000.00
Total	\$1,155,000.00

Quarterly Interest Accrual (On Total Budget)	13%
Total Interest Reserve (18 Months)	\$244,337.00
Total Loan Commitment	\$1,399,337.00

15. Obtaining the final governmental approvals for the Development Project will increase the value of the Property to approximately \$16,000,000.00. The Debtor believes this estimate is consistent with Bank of America's projected value upon final governmental approval of the Development Project.

Dated: September 23, 2010

PFG ASPENWALK, LLC



Thomas Salmen, Officer